

Service Date: Aug. 5, 1992

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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IN THE MATTER Of The Application) UTILITY DIVISION
Of The City of Thompson Falls To Increase) DOCKET NO. 92.2.6
Rates And Charges For Sewer Service) ORDER NO. 5639
In Its Thompson Falls, Montana Service Area.)

* * * * *

ORDER

APPEARANCES

FOR THE APPLICANT:

Claude I. Burlingame, City Attorney, City of Thompson Falls,
1018 Main, Thompson Falls, Montana 59873.

FOR THE INTERVENORS:

Mary Wright, Staff Attorney, Montana Consumer Counsel,
34 West Sixth Avenue, Helena, Montana 59620.

FOR THE COMMISSION:

Martin Jacobson, Staff Attorney, 1701 Prospect Avenue,
Helena, Montana 59620-2601.

G. Joel Tierney, Utilities Engineer, 1701 Prospect Avenue,
Helena, Montana 59620-2601.

BEFORE :

Ted C. Macy, Commissioner and Hearing Examiner.

FINDINGS OF FACT

1. On February 13, 1992, the Montana Public Service Commission (PSC) received an application from the City of Thompson Falls (City) for authority to increase rates for sewer service to its customers. The City requests an average increase of approximately 52%, an increase of approximately \$18,091 in annual revenues.

2. On February 28, 1992, the PSC issued a Notice of Opportunity for Hearing. One person requested a hearing. On

April 13, 1992, the PSC issued a Notice of Public Hearing. On May 19, 1992, hearing was held in Thompson Falls at the Sanders County Courthouse.

3. At the public hearing evidence was received and comments were heard. At the close of the public hearing, all parties stipulated to the issuance of a final order in this docket.

4. The City presented the testimony and exhibits of Kathy Denke, City Clerk. Ms. Denke testified to the need for additional revenues to defray increased costs of operation and maintenance and to pay for the costs of debt retirement.

5. During the public hearing, three members of the public presented testimony. One testified as to general information. The other two testified in opposition to the rate increase.

6. The record discloses that the estimated annual cost of operating the City's sewer utility is \$45,000. Projections show that annual sewer revenues should equal approximately \$52,000 with the rate increase. The estimated sewer fund surplus of \$7,000 would be used for operation and maintenance reserves and also debt reserves.

7. The Commission finds that the increase of 52% is just and reasonable as it is necessary to recover the increase in costs prudently incurred and also to generate the necessary and reasonable reserve fund.

8. The City's proposed rate design was not challenged by any party in this proceeding. However, the PSC finds that the design is unreasonable in one regard--the \$1.50 per month charge to City water users not on the sewer system.

9. The PSC has historically allowed charges to users not connected to the system. But in those cases, the users had the option to connect to the system and receive service, but merely chose not to.

10. In this instance, the PSC finds that some of the water users being assessed the \$1.50 per month fee cannot connect to the system. Under these circumstances, the PSC finds the fee unreasonable and without justification.

CONCLUSIONS OF LAW

1. The City of Thompson Falls, is a public utility as defined in Section 69-3-101, MCA. The Montana Public Service Commission properly exercises jurisdiction over the Applicant's rates. See, Title 69, Chapter 7, MCA.

2. Public notice, an opportunity to be heard, and hearing have been provided and properly conducted, as required by Section 69-3-303, MCA, and Title 2, Chapter 4, MCA.

3. The revenues approved in this order are just and reasonable. See, Sections 69-3-201, and 69-3-330, MCA.

4. The City's rate design is unreasonable in regard to the fee for water user's who do not have access to the sewer system.

5. The PSC determines, without so ordering, that the sewer fee to those water users not on the sewer system, but having access to the system, could be increased to recover the revenue "lost" from those users not having access.

ORDER

1. The City of Thompson Falls shall file rate schedules, consistent with the Findings of Fact and Conclusions of Law herein.

2. The City must redesign rates to exclude the water users not having access to the sewer system. This does not apply to any water user who has access to the sewer system, but, by choice, does not connect.

3. The rate schedules shall not become effective until approved by the PSC.

DONE IN OPEN SESSION at Helena, Montana, this 5th day of August, 1992, by a 5-0 vote.

BY THE ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

DANNY OBERG, Chairman

WALLACE W. "WALLY" MERCER, Vice Chairman

BOB ANDERSON, Commissioner

JOHN B. DRISCOLL, Commissioner

TED C. MACY, Commissioner